

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

TECHNOLOGY PROPERTIES LIMITED LLC
and MCM PORTFOLIO LLC,

Plaintiffs,

v.

CANON INC. et al.,

Defendants.

No. C 14-3640 CW

ORDER ON MOTION TO
DISMISS AND
MOTIONS TO SEAL

(Docket Nos. 435,
438, & 456)

Defendants Canon Inc. and Canon U.S.A., Inc. (collectively Canon) move to dismiss the claims of Plaintiff Technology Properties Limited LLC (TPL) for lack of standing. The Court GRANTS Canon's motion.

PRELIMINARY MATTERS

Canon files two motions to seal. The motion to seal at Docket Number 435 requests filing under seal portions of the opening brief and all of Exhibit 1 to protect the confidentiality of Plaintiffs' documents. Plaintiffs' declaration in response explains that Defendants' brief need not be filed under seal. Further, as to Exhibit 1, only certain portions of the document need to be sealed: section 1 of the License Agreement and the paragraph of definitions in Exhibit C. Docket No. 439 ¶ 9. These portions lay out confidential payment terms--trade secrets--that are not relevant to this motion, and therefore do not undermine policies of access and disclosure. See Kamakana v. City & Cty. of Honolulu, 447 F.3d 1172, 1178-79 (9th Cir. 2006). The Court GRANTS Canon's motion in part and DENIES it in part; Canon shall

1 refile its opening brief without any redactions and Exhibit 1
2 partially redacted as Plaintiffs request. The Court employs this
3 now-public information.

4 Canon's second motion to seal at Docket Number 456 is also
5 based on Plaintiffs' confidentiality designations. Plaintiffs
6 filed no declaration within the time permitted establishing that
7 the designated material is sealable. This motion to seal is
8 DENIED.

9 The Court also GRANTS TPL's Request for Judicial Notice (RJN)
10 asking that the Court take notice of documents from TPL's
11 Bankruptcy Proceeding. Docket No. 452-1.

12 BACKGROUND

13 On April 12, 2006, Plaintiff MCM Portfolio LLC, then known as
14 both FMM and FPL, entered into a License Agreement with TPL.
15 Hertko Dec. in Support, Ex. 1. At the time, MCM was the owner of
16 the patents in dispute here. The License Agreement granted the
17 following license to TPL:

18 2.1. FPL hereby grants unto TPL an exclusive, worldwide, and
19 perpetual license with respect to those rights which enable
20 and/or facilitate the management, development, and
21 commercialization of the MCM Technology.

22 2.2. In conjunction with section 2.1 above, FPL hereby
23 grants, sets-over, assigns, transfers, and conveys unto TPL
24 the exclusive, worldwide right to:

25 2.2.1. Regulate and control by license, sublicense,
26 affiliation, or other arrangement the practice and/or
27 use of the MCM Technology;

28 2.2.2. Sue on and collect for its own use and benefit
all claims and/or entitlements with respect to damages
by reason of past infringement or use of the MCM
Technology; and,

2.2.3. Pursue in its own name and for its own use and
benefit all remedies of whatsoever kind or nature
relating to the past, present, or future infringement or
use of the MCM Technology.

2.3. Subject, however, to the non-exclusive, product-related
rights of IntellaSys (BEC) Ltd and OnSpec Electronic, Inc.

1 License Agreement at pp. 4-5.

2 On March 28, 2012, TPL filed this suit in the Eastern
3 District of Texas. TPL stated that it is the "exclusive licensee"
4 of both patents at issue, "with ownership of all substantial
5 rights . . . including the right to exclude others and to enforce,
6 sue and recover damages for past and future infringement."
7 Complaint ¶¶ 11, 23.

8 On March 20, 2013, TPL filed a bankruptcy petition in the
9 United States Bankruptcy Court for the Northern District of
10 California. RJN Ex. A.

11 On April 14, 2014, TPL filed an Amended Complaint (AC) in
12 this case. The AC added MCM as a Plaintiff, stating that MCM is
13 the "owner" of the two patents at issue, AC ¶¶ 12, 23, and that
14 TPL is the "exclusive licensee," id. ¶¶ 13, 24. This case was
15 transferred to the Northern District of California in July 2014.

16 On January 8, 2015, TPL and its creditors submitted a Joint
17 Plan of Reorganization to the Bankruptcy Court, which the court
18 confirmed on March 19, 2015. As part of the Joint Plan, TPL
19 assumed the License Agreement. The Joint Plan stated that the
20 License Agreement "shall be modified as follows: as a condition of
21 assumption, TPL shall, at the Effective Date, reconvey all right,
22 title and interest in the CORE Flash portfolio on account of its
23 license back to MCM. TPL will continue to commercialize and
24 negotiate license of CORE Flash patents and technology without
25 change." Hertko Dec. in Support, Ex. 2, Joint Plan at 42-43.

26 On April 16, 2015, TPL and MCM executed an assignment
27 agreement. The CORE Flash Assignment stated that the Joint Plan
28 provided for "(i) the divestiture of The Patents by TPL and the

1 rejection of all agreements with TPL pursuant to which TPL may
2 have acquired rights with respect to the Patents; and, (ii) the
3 reinstatement of certain TPL commercialization rights." Docket
4 No. 456, Hertko Dec. in Reply, Ex. 5 at 1. The CORE Flash
5 Assignment stated that TPL "grants, sets over, assigns, transfers,
6 conveys, and acquits unto MCM . . . all of TPL's right, title, and
7 interest of whatsoever kind or nature now existing or hereafter
8 arising in and/or with respect to" the patents, including "the
9 right to sue thereon," as well as "[a]ll of the existing License
10 Agreements with respect to The Patents heretofore entered into by
11 TPL with TPL Licensees." Id. The CORE Flash Assignment gave to
12 MCM "the exclusive, worldwide right . . . to regulate and control
13 by license, sublicense, affiliation, or other agreement the
14 practice and/or use of The Patents," as well as the right "to sue
15 and collect for its own use and benefit all claims for damages by
16 reason of past infringement or use of The Patents," among other
17 rights. Id. TPL agreed to the "continuing obligation" to refrain
18 from "litigation involving The Patents." Id. at 2. However, in
19 Paragraph E of this agreement, MCM granted to TPL "the right to
20 represent MCM in connection with the CORE Flash Portfolio and to
21 commercialize and negotiate licenses on behalf of MCM as under the
22 MCM-TPL Agreement and License dated December 31, 2006 as amended
23 on August 6, 2008, which said licenses negotiated by TPL shall be
24 executed by MCM at the direction of TPL." Id.

LEGAL STANDARD

26 Constitutional standing requires injury in fact,
27 traceability, and redressability. In the patent context, whether
28 a party is capable of suffering injury in fact is governed by

1 statute. See Morrow v. Microsoft Corp., 499 F.3d 1332, 1339 (Fed.
2 Cir. 2007).

3 A "patentee," which includes the patentee and the "successors
4 in title to the patentee," is entitled to bring "a civil action
5 for infringement of his patent." Id. at 1339 (quoting 35 U.S.C.
6 §§ 100(d), 281). These patentees and assignees are entitled to
7 sue for patent infringement in their own name because they suffer
8 constitutional injury in fact from infringement. Id. at 1339-40.

9 Grantees of exclusionary rights, or "exclusive licensees,"
10 are "injured by any party that makes, uses, sells, offers to sell,
11 or imports the patented invention." Id. at 1340. These rights
12 "must be enforced through or in the name of the owner of the
13 patent." Id. Usually, the patentee is joined to suits filed by
14 exclusive licensees to satisfy prudential standing concerns. Id.

15 Plaintiffs who "hold less than all substantial rights to the
16 patent" lack constitutional standing. Id. at 1340-41. This
17 deficiency cannot be cured by adding the patentee to the suit.
18 Id. at 1341.

19 DISCUSSION

20 Canon argues that the CORE Flash Assignment divested TPL of
21 its constitutional standing. TPL disagrees. TPL also argues
22 that, if the Court finds that TPL lost standing, this loss can be
23 cured. As explained below, the Court concludes that the CORE
24 Flash Assignment divested TPL of its constitutional standing.
25 Further, although a party who originally had standing may regain
26 it after losing it, TPL may not be able to cure its loss.

27 //

28 //

I. Impact of CORE Flash Assignment

"Determining whether the right to sue for prior infringement has been transferred turns on the proper construction of the assignment agreements, which is a matter of state contract law." Minco, Inc. v. Combustion Eng'g, Inc., 95 F.3d 1109, 1117 (Fed. Cir. 1996). Canon and TPL agree that California law governs the interpretation of the contracts at issue here.

Under California law, if a contract's language is "clear and explicit" and "does not involve an absurdity," it governs interpretation. F.B.T. Prods., LLC v. Aftermath Records, 621 F.3d 958, 963 (9th Cir. 2010) (quoting Cal. Civ. Code § 1638). "It is only in relation to contracts that are uncertain, or of doubtful construction on their face, that the conduct of the parties is to be looked to in aid of construction." Pierce v. Merrill, 128 Cal. 464, 472 (1900); see also Cal. Civ. Code §§ 1637 (stating that the statutes governing interpretation govern where the intention of the parties to a contract is "otherwise doubtful"), 1639 ("When a contract is reduced to writing, the intention of the parties is to be ascertained from the writing alone, if possible; subject, however, to the other provisions of this Title.").

"Parol evidence is properly admitted to construe a contract only when its language is ambiguous." F.B.T. Prods., 621 F.3d at 963. California courts follow a two-step process to determine whether extrinsic evidence should be admitted to resolve an ambiguity. First, a court examines extrinsic evidence without admitting it to determine whether the language is "reasonably susceptible" to the interpretation urged by the party seeking admission. Id. (quoting Winet v. Price, 4 Cal. App. 4th 1159,

1 1165 (1992)). If the language is reasonably susceptible to the
2 interpretation urged, the extrinsic evidence is admitted to aid in
3 the second step of interpreting the contract. Id. (quoting Winet,
4 4 Cal. App. 4th at 1165).

5 The first question is whether the language of the CORE Flash
6 Assignment is susceptible to two meanings. Canon argues that "TPL
7 unequivocally assigned all of its proprietary interests in the
8 Asserted Patents to MCM via the CORE Flash Assignment." Opening
9 Br. at 6. TPL responds that "the parties intended that TPL would
10 be granted the exact same rights that it had under the
11 Commercialization Agreement, however, subject to a modified split
12 of the proceeds from TPL's activities." Opp. Br. at 7.

13 As described above, the CORE Flash Assignment stated as
14 background that the Joint Plan provided for both "divestiture" of
15 patents by TPL and rejection of all agreements whereby TPL may
16 have acquired patent rights. Pursuant to this Assignment, TPL
17 assigned all interests in the patents and all existing licensing
18 agreements back to MCM, including the "worldwide right . . . to
19 sue and . . . to pursue all remedies," as well as the right to
20 regulate and control the patents by licensing or other agreements.
21 CORE Flash Assignment. It is clear from these passages that TPL
22 is no longer an exclusive licensee.

23 TPL argues that Paragraph E of the CORE Flash Assignment
24 creates an ambiguity by reinstating the provisions of the License
25 Agreement that originally granted to TPL exclusive licensing
26 rights. The plain language of Paragraph E undercuts TPL's
27 argument. MCM granted to TPL "the right to represent MCM . . .
28 and to commercialize and negotiate licenses on behalf of MCM

1" Id. Nothing in Paragraph E suggests that MCM regranted
2 to TPL an exclusive license. Further, Paragraph E describes the
3 Agreement and License as a document "which said licenses
4 negotiated by TPL shall be executed by MCM at the discretion of
5 TPL." Id. This clause limits the relevance of the Agreement and
6 License to the CORE Flash Assignment, rather than incorporating
7 the Agreement and License therein.

8 Because the CORE Flash Assignment is not susceptible to more
9 than one interpretation, the Court need not admit the extrinsic
10 evidence provided, including the Venkidu Declaration and MCM's
11 Bankruptcy Court motions. TPL is not an exclusive licensee. As a
12 result, TPL does not have constitutional standing, even though MCM
13 is a party to the suit.

14 II. Curing Mootness

15 TPL argues that, even if the Court decides that the CORE
16 Flash Assignment divested TPL of standing, it should deny Canon's
17 motion "and allow TPL and MCM to amend the agreement to more
18 accurately reflect their true intention." Opp. Br. at 8.

19 TPL cites Schreiber Foods, Inc. v. Beatrice Cheese, Inc., 402
20 F.3d 1198 (Fed. Cir. 2005), in support of its argument. There,
21 Schreiber Foods owned a patent when it filed suit. It later
22 assigned the patent to its subsidiary, which gave back to
23 Schreiber Foods a non-exclusive license. After a trial and
24 verdict, while the defendants' motion for judgment as a matter of
25 law was pending, Schreiber Foods reacquired the patent. This
26 reassignment came to light after judgment was entered, and a
27 defendant moved to vacate judgment. The Federal Circuit
28 considered whether judgment was void due to lack of jurisdiction

1 to adjudicate the case. It concluded that the "temporary"
2 mootness between assignment and reassignment did not void the
3 judgment. Id. at 1203. The court explained that in
4 "circumstances where dismissal for lack of initial standing is not
5 required, . . . jurisdictional defects can be cured before
6 judgment." Id. (citing Caterpillar Inc. v. Lewis, 519 U.S. 61
7 (1996)). Thus, Schreiber Foods's temporary mootness did not
8 undermine its standing because the standing problem was remedied
9 before judgment.

10 Canon argues that Schreiber Foods's procedural posture
11 renders its analysis inapposite. It is not. Here, as in
12 Schreiber Foods, TPL had standing when it filed its complaint.¹
13 Further, the Federal Circuit's analysis squarely addresses the
14 effect of TPL remedying its standing issue before judgment--it
15 would not render judgment moot. Therefore, under Schreiber Foods,
16 it is possible to cure a standing lapse by subsequent agreement.

17 CONCLUSION

18 The Court GRANTS Canon's motion to seal at Docket Number 435
19 in part and DENIES it in part. The Court DENIES Canon's motion to
20 seal at Docket No. 456.

21 The Court will GRANT Canon's motion to dismiss TPL's claims.
22 The dismissal is stayed for one month from the date of this order
23

24 ¹ For this reason, Diamond Coating Technologies, LLC v.
25 Hyundai Motor America, 2016 WL 2865704 (Fed. Cir.), is
26 distinguishable. There, the Federal Circuit held that, where the
27 plaintiff did not have standing when it filed suit, a
28 subsequently-executed nunc pro tunc agreement clarifying the
original intent to grant full ownership of the patents at issue
did not fix the standing problem.

1 to permit TPL to reach an agreement with MCM. TPL may move to set
2 aside the order within one month if it can regain its standing.

3 IT IS SO ORDERED.

4
5 Dated: 6/17/2016


6 CLAUDIA WILKEN
7 United States District Judge
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28